



Information Bulletin

LCT-1

Issued: January, 1988

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RE: THE LIQUOR CONSUMPTION TAX

This bulletin has been prepared to assist you in understanding your obligations under *The Liquor Consumption Tax Act* and *The Revenue and Financial Services Act*. It is provided as a general guide and should not be considered a substitute for the legislation.

Changes to this bulletin are identified by a bar (|) in the left margin.

The contents of this bulletin are presented under the following sections:

- A. General Information
- B. Enforcement Provisions
- C. Selling or Purchasing a Business
- D. Resale Levy
- E. Calculating the Tax
- F. Saskatchewan Electronic Tax Service (SETS)

A. GENERAL INFORMATION

The Liquor Consumption Tax

The Liquor Consumption Tax rate is 10% and it applies to the total selling price of beer, wine and spirits.

Your Special Licence

A special licence is issued to all Liquor Consumption Tax collectors to allow for the purchase of beer, wine and spirits for resale. If you carry on business at more than one location in the Province, you will receive a special licence for each place of business.

A special licence is not transferable and cannot be used by anyone else.

Collecting the Tax

The tax on sales of beer, wine and spirits consumed on licensed premises must be calculated on the total selling price including mixes and corkage. It is not permissible to levy a separate charge for mixes, corkage and other similar charges in order to reduce the amount of tax payable.

Your Responsibilities

Your responsibilities as a collector under *The Liquor Consumption Tax Act* are to:

- Collect the tax on the sale of beer, wine and spirits.
- Collect the resale levy on purchases made by special occasion permit holders who resell alcohol under open pricing.
- Refund the tax on returned beer, wine and spirits if the full purchase price is refunded to the customer.
- Pay the tax on beer, wine and spirits for your own use when taken from stock.
- Keep complete and up-to-date records of all your business transactions. You should not destroy these records unless permission has been granted by us. Records must be retained for at least six years.
- Remit the tax and resale levy collected to the Department of Finance.
- File tax returns by the due date shown on the return.
- Advise us if your business and/or mailing address is changed.
- Advise us if your business is discontinued or sold or if there is a change in your business name.
- Quote your special licence number when you are buying beer, wine and spirits for resale.

Remitting the Tax

Liquor Consumption Tax collectors are required to submit tax either monthly, quarterly or annually depending on the amount of the taxes to be paid. The filing frequency is established as follows:

Filing Frequency	Tax Collected or Payable
Annually	0 to \$3,600 per year
Quarterly	\$3,600 to \$7,200 per year
Monthly	over \$7,200 per year

A tax return form will be sent to you about three weeks before the due date for each reporting period. The due date is always shown on the front of every return.

If for some reason you do not receive a return form, remember that the tax and other information requested must still be filed by the due date. Simply prepare a return along the general lines of the form, deduct your commission and send us the balance. Always be sure to include your account number.

The completed form should be returned with your remittance (cheque or money order) by the 20th day of the month following the end of the reporting period. Instructions for completing the tax return form are provided on the form. Please read these instructions carefully as an incorrectly completed form can delay the processing of returns and the crediting of the tax payment to your account.

A tax return form must be completed for each reporting period. If you have no tax to remit please mark your return "nil" and send it to us.

Commission

As a Liquor Consumption Tax collector, you are allowed a commission on the tax payable during each reporting period to an annual maximum commission of \$1,800. The amount of commission to be claimed is based on the type of return and is to be calculated as follows:

- | | | |
|-----------|---|---|
| Monthly | - | 10% of first \$250 of tax collected and
1% on the balance. |
| Quarterly | - | 10% of first \$750 of tax collected and
1% on the balance. |
| Annual | - | 10% of first \$3,000 of tax collected and
1% on the balance. |

Commission is not allowed if your tax return is filed late or is filed without payment.

Bad Debts

Liquor Consumption Tax collectors are able to claim a credit for the tax portion of any debts that are written off for GST purposes. The tax credit should be taken as an internal adjustment in the business' accounting records. A summary of the accounts written off must be retained.

B. ENFORCEMENT PROVISIONS

Failure to Comply

Non-compliance can result in the suspension of your special licence issued under *The Liquor Consumption Tax Act*. If your special licence is suspended, you will not be allowed to purchase beer, wine or spirits for resale, and you will not be allowed to sell alcoholic beverages in your establishment.

Corporate Director's Liability

Corporate directors may be held personally liable, in certain circumstances, for taxes collected but not remitted by a corporation.

Directors may be held personally accountable for a corporation's tax liability when collection efforts against the corporation have failed or when a corporation becomes bankrupt or commences other liquidation proceedings. Directors may only be held liable for taxes collected by the corporation from its customers and not remitted (as opposed to taxes payable by the corporation). A director may avoid liability by demonstrating that he or she took reasonable steps to ensure that the corporation remitted its tax collections.

Penalties for Failing to Remit Tax

Penalty and interest charges are applied to taxes that are not remitted by the due date. These charges are necessary to ensure that taxes are collected and remitted on time.

Penalty Applied to Late Returns

A penalty of 10% of the tax payable, to a maximum of \$500, is applied to each return period.

Penalty Applied to Audit Assessments (Effective July 1, 2007)

The following penalties apply to audit assessments:

Tax on Sales

- A penalty of 10% of the amount assessed, with no maximum, is applied to audit assessments for liquor sales where the tax should have been collected from your customers, but was not.
- A penalty of 25% of the amount assessed, with no maximum, is applied to audit assessments for Liquor Consumption Tax that has been collected from your customer but not remitted.
- A penalty of 100% of the amount assessed, with no maximum, may be applied to audit assessments for Liquor Consumption Tax collected from your customer that wilfully has not been remitted.

Tax on Consumption

- A penalty of 10% of the amount assessed, with no maximum, is applied to audit assessments for liquor that was taken from inventory for your own use or given away for promotional purposes, where the tax should have been self assessed, but was not.

Interest Charges

Interest at the prime interest rate plus 3% is charged from the date the tax was to have been remitted.

C. SELLING OR PURCHASING A BUSINESS

Businesses are required to report and remit Provincial Sales Tax on the purchase or sale of used goods, including business assets, such as restaurant equipment and vehicles. When used assets are purchased as part of the closure or transfer of a business, the purchaser is required to self-assess and report the tax.

When selling your business please ensure that you:

- Advise us immediately of the name of the new owner, the effective date of the sale and return your special licence.
- Submit a tax return within 15 days of the sale for all taxes owing to the date of the sale of the business.
- Obtain a copy of the certificate in duplicate from us verifying that all taxes have been paid. The duplicate copy should be provided to the purchaser.

When purchasing an established business please ensure that you:

- Apply for a special licence. A licence application form should be requested from us.
- Obtain a copy of the certificate issued by us to the seller verifying that all taxes collected by the seller have been paid. If you fail to do so, you may be held responsible for all taxes collected but not remitted by the seller.

D. RESALE LEVY

Hotels and franchises must charge a resale levy on purchases made by special occasion permit holders who resell alcohol under open pricing. This resale levy is calculated by applying the following percentages to the special occasion permit holder's total purchase price of alcohol (including Liquor Consumption Tax, GST and deposits):

- 10% for beer.
- 14% for wines, coolers and ciders.
- 18% for spirits and liqueurs.

The resale levy must be recorded in item 3 on your Liquor Consumption Tax return.

E. CALCULATING THE TAX

Franchises

The following illustration will assist Saskatchewan Liquor and Gaming Authority franchisees in the completion of their Liquor Consumption Tax returns. This method may only be used when no segregation is made in your records between sales and tax collected (GST and LCT).

To ensure that you do not over-remit Liquor Consumption Tax, the refundable deposits and environmental handling charges on designated containers should be deducted before calculating the tax owing. The following table summarizes these deposits and charges:

Designated Container	Environmental Handling Charge (per container)	Refundable Deposit (per container)	Total Amount (per container)
Metal cans			
under 1 litre	5¢	10¢	15¢
1 litre or more	5¢	20¢	25¢
Plastic bottles			
under 1 litre	6¢	10¢	16¢
1 litre or more	6¢	20¢	26¢
Non-refillable glass bottles			
300 ml or less	7¢	10¢	17¢
more than 300 ml but less than 1 litre	7¢	20¢	27¢
1 litre or more	7¢	40¢	47¢
Beer bottles (refillable)	0¢	10¢	10¢

Calculation of Tax Collected When Tax-Inclusive Pricing is Used

Liquor sales from records (including GST, LCT, refundable deposits and environmental handling charges)	\$7,500.00	
Deduct resale to hotels (including GST, refundable deposits and environmental handling charges)	<u>500.00</u>	\$7,000.00
Deduct deposit/environmental charge on sales (excluding resale)		
25 glass bottles (300 ml or less) @ 17¢ per bottle	\$ 4.25	
150 glass bottles (greater than 300 ml but less than 1 litre) @ 27¢ per bottle	40.50	
20 glass bottles (1 litre or greater) @ 47¢ per bottle	9.40	
15 plastic bottles (under 1 litre) @ 16¢ per bottle	2.40	
10 plastic bottles (1 litre or greater) @ 26¢ per bottle	<u>2.60</u>	
	\$ 59.15	
Deduct: Beer bottle deposit (50 cases sold @ \$1.20 per dozen)	\$ 60.00	
Beer can deposit/environmental charge (100 cases sold @ \$1.80 per dozen)	<u>180.00</u>	299.15
Total sales		\$6,700.85
Multiply by 10/115 to arrive at tax collected		\$ 582.68
Plus: Resale levy collected during the return period		<u>100.00</u>
Total		<u>\$ 682.68</u>

The above total sales figure of \$6,700.85, the tax of \$582.66 and the resale levy of \$100.00 should be recorded on your Liquor Consumption Tax return.

Hotels

The following illustration will assist hotels in the completion of their Liquor Consumption Tax returns. This method may only be used when no segregation is made in your records between sales and tax collected (GST and LCT).

To ensure that you do not over-remit Liquor Consumption Tax, the appropriate refundable deposits and environmental handling charges on designated containers should be deducted before calculating the tax owing. (Please refer to the table on page 6 for the correct deposits and environmental charges.)

Calculation of Tax Collected When Tax-Inclusive Pricing is Used

Off-sale spirits, wines and liqueurs sales from records (including GST, LCT, refundable bottle deposit and environmental handling charge)		\$ 5,000.00	
Deduct deposit/environmental charge on sales (excluding resale to permittees)			
25 glass bottles (300 ml or less)			
@ 17¢ per bottle	\$ 4.25		
150 glass bottles (greater than 300 ml but less than 1 litre) @ 27¢ per bottle	40.50		
20 glass bottles (1 litre or greater)			
@ 47¢ per bottle	9.40		
15 plastic bottles (under 1 litre)			
@ 16¢ per bottle	2.40		
10 plastic bottles (1 litre or greater)			
@ 26¢ per bottle	2.60		
		<u>\$ 59.15</u>	\$ 4,940.85
Off-sale bottled beer sales from records (including GST, LCT and refundable bottle deposit)		\$ 7,600.00	
Deduct bottle deposit:			
Sales of off-sale bottled beer	\$7,600.00		
Price per dozen (always use your <u>current</u> selling price)	\$ 19.00		
# of cases sold ($\$7,600.00 \div \19.00)	400		
Bottle deposit at \$1.20 per dozen (400 cases x \$1.20)		<u>480.00</u>	
Off-sale bottled beer sales less bottle deposit			\$ 7,120.00
Off-sale canned beer sales from records (including GST, LCT refundable deposit and environmental charge)		\$6,000.00	
Deduct can deposit/environmental charge:			
Sales of off-sale canned beer	\$6,000.00		
Price per dozen (always use your <u>current</u> selling price)	\$ 20.00		
# of cases sold ($\$6,000.00 \div \20.00)	300		
Can deposit/environmental charge at \$1.80 per dozen (300 cases x \$1.80)		<u>540.00</u>	
Off-sale canned beer less deposit/environmental charge			\$ 5,460.00

Table beer sales from records	\$ 2,300.00
Draught beer sales from records	1,200.00
Spirits sales from records	1,800.00
Wine sales from records	<u>1,000.00</u>
Total alcoholic beverage sales	\$23,820.85
Multiply by 10/115 to arrive at the tax collected	\$ 2,071.38
Plus: Resale levy collected during the return period	<u>200.00</u>
Total	<u>\$ 2,271.38</u>

The above total alcoholic beverage sales figure of \$23,820.85, the tax of \$2,071.38 and the resale levy of \$200.00 should be recorded on your Liquor Consumption Tax return.

Dining Rooms, Restaurants and Clubs

The following illustration will assist dining rooms, restaurants and clubs in the completion of their Liquor Consumption Tax returns. This method may only be used when no segregation is made in your records between sales and tax collected (GST and LCT).

Calculation of Tax Collected When Tax-Inclusive Pricing is Used

Table beer sales from records	\$ 4,500.00
Draught beer sales from records	2,400.00
Spirits sales from records	3,600.00
Wine sales from records	<u>1,000.00</u>
Total alcoholic beverage sales	\$11,500.00
Multiply by 10/115 to arrive at the tax collected	\$ 1,000.00

The above total alcoholic beverage sales figure of \$11,500.00 and tax of \$1,000.00 should be recorded on your Liquor Consumption Tax return.

F. SASKATCHEWAN ELECTRONIC TAX SERVICE (SETS)

Saskatchewan Ministry of Finance has made it possible to report and remit tax electronically through the use of a standard Internet connection. The Saskatchewan Electronic Tax Service (SETS) offers a secure, fast, easy and convenient alternative to filing returns in paper format. Several E-File services are currently available through SETS.

Businesses may use SETS to file and pay returns for Liquor Consumption Tax, Provincial Sales Tax, Beverage Container Program fees and other provincial taxes.

SETS allows businesses to:

- File and pay returns or make payments on account.
- File a return and post-date the payment to the due date.
- View account balance and statement information.
- Authorize your accountant to file on your behalf.
- Subscribe to an E-mail Notification Service that allows the option to be notified by e-mail that a tax return should be filed (replaces the paper forms normally received in the mail).

Additional information and a SETS application form are available at:
www.gov.sk.ca/finance.

FOR FURTHER INFORMATION

Write: Ministry of Finance
Revenue Division
2350 Albert Street
Regina, Saskatchewan
S4P 4A6

Telephone: Toll Free 1-800-667-6102
Regina 306-787-6645

E-Mail: Sask.tax.info@finance.gov.sk.ca

Fax: 306-787-9644

Internet: Provincial Sales Tax bulletins, forms and information are available on the Internet at:

<http://www.publications.gov.sk.ca>

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